

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1473-01  
Bill No.: HB 423  
Subject: Education, Elementary and Secondary: Elementary and Secondary Education  
Type: Original  
Date: March 18, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	(\$5,400,000)	(\$5,400,000)	(\$5,400,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$5,400,000)</b>	<b>(\$5,400,000)</b>	<b>(\$5,400,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
State School Moneys Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\*Offsetting Transfers from General Revenue and Distributions to School Districts total \$5,400,000**

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>School Districts</b>	<b>\$5,400,000</b>	<b>\$5,400,000</b>	<b>\$5,400,000</b>

### FISCAL ANALYSIS

#### ASSUMPTION

The **Department of Elementary and Secondary Education** provided the following information regarding the proposed legislation:

#### Line 14 revision (163.031.3)

This revision changes the Line 14 calculation so that a district receives the greater of the Line 14 calculation at the tax rate of \$2.75 or the Line 14 calculation using the district's tax rate. The cost of this change for FY04 is estimated at approximately \$2.5 million. Projections into years beyond FY04 cannot be calculated.

#### Hold harmless calculation - voluntary transfer students (163.031.5 [2])

A change would be made in the hold harmless calculation for the districts in St. Louis County who had voluntary transfer students included in the free or reduced lunch eligible pupil count in the 1997-98 Line 14 calculation. The change requires that the 1997-98 Line 14 be recalculated by excluding the voluntary transfer students. Currently, voluntary transfer students are not included in the districts' free or reduced lunch eligible pupil count. The proposed change would allow the comparison in the hold harmless calculation from 1997-98 to the current year to use numbers for both years that exclude the voluntary transfer students. The number of voluntary transfer students eligible for free or reduced price lunch included in the 1997-98 Line 14 calculation has not yet been collected from the respective districts.

LMD:LR:OD (12/02)

ASSUMPTION (continued)

The cost estimate for FY04 of approximately \$2.9 million is based on the growth in the amount per eligible pupil from FY99 to FY00 multiplied by the FY02 payment eligible pupils. The difference between FY99 and FY00 was used because the Line 14 calculation for both of those years included voluntary transfer students which was comparable to 1997-98. Beginning with FY01 the comparability is gone.

**Oversight** assumes that FY 05 and FY 06 figures will likely change as tax rates and number of voluntary transfer students who are eligible for free and reduced-price meals fluctuates; however the amount of those changes cannot be predicted or calculated.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Increased transfers to State School Moneys Fund (Section 163.031.3)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
<u>Cost</u> - Increased transfers to State School Moneys Fund (Section 163.031.5 [2])	<u>(\$2,900,000)</u>	<u>(\$2,900,000)</u>	<u>(\$2,900,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$5,400,000)</u></b>	<b><u>(\$5,400,000)</u></b>	<b><u>(\$5,400,000)</u></b>
<b>STATE SCHOOL MONEYS FUND</b>			
<u>Income</u> - Transfers from General Revenue Fund (Section 163.031.3)	\$2,500,000	\$2,500,000	\$2,500,000
<u>Income</u> - Transfers from General Revenue Fund (Section 163.031.5 [2])	\$2,900,000	\$2,900,000	\$2,900,000
<u>Cost</u> - Distributions to School Districts (Section 163.031.3)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
<u>Cost</u> - Distributions to School Districts (Section 163.031.5 [2])	<u>(\$2,900,000)</u>	<u>(\$2,900,000)</u>	<u>(\$2,900,000)</u>
<b>NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>SCHOOL DISTRICTS</b>			
<u>Income</u> - School Districts			
State Aid (Section 163.031.3)	\$2,500,000	\$2,500,000	\$2,500,000
<u>Income</u> - School Districts			
State Aid (Section 163.031.5 [2])	<u>\$2,900,000</u>	<u>\$2,900,000</u>	<u>\$2,900,000</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$5,400,000</u></b>	<b><u>\$5,400,000</u></b>	<b><u>\$5,400,000</u></b>

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal if school district tax levies are increased.

DESCRIPTION

Line 14 revision (Section 163.031.3)

This proposed legislation modifies two areas in the state foundation formula:  
 Currently, an unintended consequence of the foundation formula penalizes school districts which set their levies between \$2.75 and \$2.93 by reducing their share of state funding. The proposed legislation would ensure that no school district will receive less on line 14 (a & b) than it would if that district's levy was no greater than \$2.75. As a result, school districts would not be penalized for raising levies in excess of \$2.75.

Hold harmless calculation - voluntary transfer students (Section 163.031.5 [2])

This proposed legislation would yield a more accurate indicator of the true growth of a district's free and reduced lunch population by excluding the voluntary transfer students from the 1997-1998 line 14a calculation. This exclusion would calibrate the artificially inflated 1997-1998 line 14 numbers so any subsequent growth in a district's free and reduced lunch population will be represented in the finance formula.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKY WILSON, CPA  
DIRECTOR  
MARCH 18, 2003